



U.S. Department of Housing and Urban Development
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June 16, 2006

MEMORANDUM FOR: All Approved Mortgagees and Appraisers Doing Business in the
Jurisdiction of the Atlanta Homeownership Center (HOC) Caribbean
Field Office

FROM: Charles E. Gardner, Director, Atlanta Homeownership Center (HOC)

SUBJECT: Atlanta Homeownership Center (HOC) Circular Letter, 06-01
Standardized Appraisal Policies and Procedures Specific to Puerto Rico and the
Virgin Islands

In an effort to standardize and update processing for property related issues within the Caribbean Field Office jurisdiction, we are issuing the following Atlanta HOC policies and procedures. This Circular Letter supersedes all previously issued Atlanta HOC Circular Letters pertaining to this topic. If you have any questions regarding the information contained in this circular letter, you may contact the Processing and Underwriting Division by e-mail at: atl_hoc_pud@hud.gov. You will typically receive a response to your question within 48 hours. You may also dial 1-800-CALL FHA (1-800-225-5342).

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*HUD's mission is to increase homeownership, support community
development and increase access to affordable housing free from discrimination.*

- 1) Attached Wood Structure - Dwellings that have a wood structure attached to the roof will be considered on a case-by-case basis. The appraiser will determine if the wood structure poses a hazard to the safety and health of the occupants or affects the structural integrity of the lower unit. If there is no hazard, then there will not be a requirement to remove the wood structure. If the wood structure poses a hazard or is a non-legal use, then the structure must be removed, repaired to bring into conformance, or the certification previously established by the local field office must be followed. The appraiser is expected to conduct a thorough inspection of the wood structure taking into consideration the construction of the unit and safety and health issues. Regardless whether or not the attached wood structure is to be considered in value, lead paint and termite requirements are applicable. It is not acceptable to circumvent these acceptability standards by merely not assigning any value to the attached wood structure.
- 2) Carports – On those dwellings that have their carports extended, some mortgagees have been advising the appraiser that HUD/FHA requires the windows to be blocked. We have no such requirement. If the add-on blocks the airflow, then mechanical ventilation is required in the bathroom and/or kitchen. The ventilation system must be acceptable to the local governing authority.
- 3) Common Errors and Omissions – Large subjective adjustments with no support; GLA adjustments inconsistent or excessive; reporting proximity to subject as “same vicinity”; 25% gross, 15% net and/or 10% line adjustments exceeded with no explanation; FEMA map date missing; final value not within range after adjustments; legal description omitted; seller contribution not reported when known; using comparable sales over 1 mile away with no explanation; incomplete zoning classification; no comment whether public utilities are available; no site dimensions.
- 4) Comparable sales selection - Appraisers are required to use the best comparables available. For new properties, avoid using three sales from the same builder within the same subdivision, if possible. Appraisals should include at least one comparable sale from a competing project so that the value is not based solely on sales of one builder. Lenders are reminded that sometimes due to location, design, etc., ideal comparable sales may not be available. Appraisers must offer more in-depth explanations than merely stating they used the “best comps available.”
- 5) Condominium – Both the pre-sale and owner-occupancy requirements may be certified by the mortgagee at the time the case is submitted for insurance endorsement. All approved condominium projects can be found online at HUD’s Home page. Starting at www.hud.gov, click “appraisers” under the heading “Housing Industry” and then click “FHA Approved Condominiums” under the heading “Find Info by Topic.” Mortgagees can click on “Lenders” under the “Housing Industry” heading and then click on “FHA Approved Condominiums” also under the “Find Info by Topic” heading.
- 6) Data and Verification Source - The appraiser should report the verification source and the document or party from which the additional proof was obtained. Contacting someone with first-hand knowledge of the transaction (agent, broker, buyer, seller, etc.), especially where it involves confirmation of seller concessions, is the preferred method of verification. A single

source may be used if the quality of data is such that sales data are confirmed and verified by settled transactions. Information provided should permit the reader of the report to locate the data from the sources cited. Do not use, as market data, sales that are not verified and adjusted to reflect the terms and conditions of sale (revised Appendix D of Handbook 4150.2)

- 7) Hot Water - Domestic hot water is required in the kitchen, all bathrooms, and laundry.
- 8) Legal Description - The appraiser must enter a legal description on page one of the appraisal or as an addendum if the space provided on page one is insufficient. It is not acceptable for the appraiser to merely state "see attached deed", when the deed is not incorporated into the appraisal as an addendum.
- 9) Location Maps - The quality of many location maps being submitted has been poor. Appraisers must provide a copy of a local street map that shows the location of the subject and each comparable sale. The map of proposed construction must clearly show proposed roadways. Appraisers need to be more aware of the quality of the location maps; perhaps scanning may be a solution.
- 10) Marketing Plans - Affirmative Fair Housing Marketing Plans (AFHMPs) are required for developments where the builder plans to sell 5 or more units within a twelve (12) month period. Requests for approval of AFHMPs shall be submitted to the single family housing division in the local field office (see complete address at the end of this circular letter). Voluntary Affirmative Marketing Agreements (VAMA) **continue** to be approved by the local Fair Housing office.
- 11) Master Appraisal Reports (MARs) - MARs must be completed in their entirety. At a minimum, Forms HUD 91322 (front and back) and 91322.3 must be completed and placed in the case binder. Forms HUD 91322.1 and 91322.2 are to be used if applicable. The **Architectural Condition Sheet (AC) is obsolete** and has not been authorized for several years yet we continue to see them in case binders. Use Form HUD 91322, Section B.4, to add specific conditions. When necessary, check the appropriate block and attach additional requirements.
- 12) Meters-Utility - Separate meters are not required if dwellings are under a single mortgage.
- 13) Public Water/Sewer Connection - The appraiser shall indicate whether a public water or sewage disposal system is available to the site. If available, connection must be made to public or community water/sewage disposal system if connection costs are reasonable. The lender will determine whether connection is feasible (Revised Appendix D of HUD Handbook 4150.2).
- 14) Repairs - It has been brought to our attention that mortgagees are still requiring appraisers to amend appraisals by deleting the repairs after repairs are completed. This is an unacceptable practice and is not in accordance with our guidelines.
- 15) Sales Contract - Mortgagees must provide a copy of the sales contract to appraisers at the time of appraisal assignment.

- 16) Septic System - It is not a HUD/FHA requirement to have the appraiser measure the septic tank capacity. Furthermore, the appraiser is not required to show the location of the well and septic system on the building sketch. There is no FHA mandated minimum lot size requirement for Individual Sewage Disposal Systems (ISDS) **and there** will not be an automatic rejection on sites less than 800 square meters. The ISDS on each lot must be acceptable as determined by the local health authority.
- 17) Termite - For new construction refer to Mortgagee Letter 2001-04, "Protection Against Subterranean Termites in New Construction – Single Family Loan Production." For existing construction, the appraiser is required to note if the house and/or other structures, including wood fences, within the legal boundaries of the property show obvious evidence of active termite infestation. The DE underwriter is responsible for ordering a pest inspection if: there is any evidence of infestation; it is mandated by the local jurisdiction; or is customary for the area.
- 18) Transmission Lines/Towers – No dwelling or related property improvement may be located within the engineering (designed) fall distance of any pole, tower or support structure of a high-voltage transmission line, radio/TV transmission tower, cell phone tower, microwave relay dish or tower or satellite dish (radio, TV cable, etc.). The appraiser must indicate whether the dwelling or related property improvements are located within such an easement. If the dwelling or related property improvements are located within such an easement, the DE Underwriter must obtain a letter from the owner or operator of the tower indicating that the dwelling and its related property improvements are not located within the tower's (engineered) fall distance in order to waive this requirement. Power lines, including low voltage power lines (12 kV or less) may not pass directly over any structure (primary living unit), including pools.
- 19) Utilities - In those cases where the utilities are not on at the time of the appraisal, the mortgagee is required to have the systems certified. It is not the appraiser's responsibility to clear these certifications. It is unacceptable for the mortgagee to submit the certification to the appraiser with the requirement that the appraiser review and clear this "repair".

All correspondence should be mailed to:
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